

## 2015 BUDGET SUBCOMMITTEE QUESTIONS

### Iowa Insurance Division Responses 1-27-15

#### PROGRAM PERFORMANCE

- a. Do you have defined outcomes or measurements for your program(s)? What are they and are these measures listed somewhere so the public can see them?

A: The Insurance Division has 11 performance measures that we track pursuant to the Accountable Government Act ("AGA"). The specific measures are listed on Attachment 1. Three of the more critical measures are posted on the public "Results Iowa" website. These include "Complaints resolved in 80 days or less"; "Companies examined"; and, "Medicare beneficiary counseling contacts through SHIP".

- b. What data is available to show Iowans that your program(s) are an effective investment of taxpayer dollars? Where can Iowans find this data?

A: Our primary role is to oversee licensed and regulated entities and individuals. Much of our work is confidential. All of our work once completed and identified as non-confidential is posted on our site or available through the NAIC. We published the FY 2014 Annual Report on our IID webpage at [http://www.iid.state.ia.us/govs\\_report](http://www.iid.state.ia.us/govs_report).

- c. Can you provide the committee with performance data for your programs over the last 5 or 10 years?

A: The Insurance Division has studiously entered performance targets and results beginning with the adoption of the AGA in 2001. The data can be retrieved from the I/3 system.

#### PROGRAM EFFICIENCY

- a. Have you examined what other states are doing to improve performance and reduce costs?

A: The Insurance Division is an active participant in the National Association of Insurance Commissioners ("NAIC") and the North American Securities Administrators Association ("NASAA"). These organizations serve as vital and dynamic arenas for the development and implementation of efficient and effective regulation. Virtually 100% of our licensing, product registration, and enforcement filings are done on electronic systems developed or run by these associations (NIPR, SERFF, SBS, CRD, IARD). These associations are a national sounding board for the exchange of ideas, the discussion of current issues, and the providing of extensive training opportunities. They further promote efficiency by developing model laws and rules. Iowa, along with 40 other states, have enacted membership in the Interstate Insurance Product Regulation

Commission, through which states continue to advance state uniformity in insurance product standards and broad consumer protection in the business of insurance.

The NAIC's accreditation program establishes and maintains standards to promote sound insurance company financial solvency regulation of multi-state insurance companies. To maintain its status as an 'accredited state,' the IID must annually demonstrate:

1. Adequate solvency statutes & regulations;
2. Effective & efficient financial analysis & examination processes;
3. Sufficient staff and expertise; and
4. Effective and efficient processes regarding organization, licensing and change of control of domestic insurers.

Accreditation requirements establish minimum requirements based upon Iowa's multi-state domestic industry. These requirements place an increasing burden on the IID.

Iowa's domestic insurance industry has grown exponentially. Between 1991-2013, Iowa's domestic life industry's admitted assets increased 1000% (\$54.5 billion to \$554.5 billion). In that same time period, (1991-2013), Iowa's domestic property/casualty industry's admitted assets increased 500% (\$4.8 billion to 24.2 billion). Accreditation requirements continue to increase; companies have become bigger & more sophisticated. During this period, the IID Company Regulation staff has grown by approximately five people or 18% and we have been unable to retain many staff who we have trained that leave to accept substantially higher compensation from our industry.

In the absence of being able to reform Company Regulation pay structures to enable competitive salaries to attract and retain expertise, the IID believes that its ability to regulate the domestic industry will be impaired. Additionally, the IID may not be able to accept new domestic insurers because it does not have the resources to adequately regulate them.

b. Can you share with the committee what other states are doing?

A: Through F Committee at the NAIC, all states must meet standards to ensure accreditation. The NAIC helps states measure best practices on many fronts. Other states are adopting the NAIC's Corporate Governance Annual Disclosure Model Act. Other states, along with Iowa, are participating in an NAIC Market Regulation Accreditation Working Group in hopes of increasing the effectiveness of state-based insurance consumer protection, while significantly reducing some of the redundancy in the current system.

c. Which of these ideas are you considering for implementation here in Iowa?

A: The Insurance Division is proposing legislation in the form of an NAIC model Corporate Governance Annual Disclosure Act. This legislation provides necessary tools for effective oversight of a company's operations by requiring annual disclosure of corporate governance structures. The filings will assist the commissioner in determining the scope, depth and minimum timing of risk-focused analysis and examination procedures to ensure the financial strength of companies domiciled in Iowa. The Division has reorganized its market regulation resources under a deputy commissioner to improve consumer protection and increase regulatory efficiency. Iowa is continuing to develop a risk-based market regulation program by improving the quality and training of personnel in Market Regulation and Enforcement Bureaus. Iowa is a pilot state for the securities electronic filing of Form D notices (the new EFD filing system). The EFD system allows a company to file in all participating states and will help businesses issuers easily bring their investment opportunities to potential investors. Form D filings - often called private placements - are often used by new or expanding businesses to raise capital. The Insurance Division is also proposing a state crowdfunding law that allows the use of internet websites of approved intermediaries to allow companies interested in raising capital to contact and sell to Main Street investors. In our Omnibus bill, we propose to change the product filings procedure to eliminate sales reports as these are unnecessary to consumer protection. We also to launch an e-filing system in 2015 for preneed funeral plan sellers.

- d. Are there websites or organizations we could go to obtain more information on what other states' programs are doing to provide more efficient services?

A: NAIC may be found at [www.naic.org](http://www.naic.org). NASAA may be found at [www.nasaa.org](http://www.nasaa.org).

- e. Do you have an email address or a comment section on your website where Iowans can suggest improvements to your program or agency?

A: We do not have a section that specifically focuses on suggestions. We have a departmentalized "contact us" page at [http://www.iid.state.ia.us/contact\\_us](http://www.iid.state.ia.us/contact_us) that is broadly used by the public to make inquiries, share concerns, and make initial contact with the Division. The Market Regulation and Securities Bureau sections have specific sites where a consumer may file a complaint.

#### PROGRAM DUPLICATION

- a. Are there any other programs that are providing the same or similar services?

A: With regard to insurance regulation, no. This is performed strictly at the state level. Securities regulation is also done on the federal level, but is an overall division of labor between the two levels. For example, Congress has legislated the division of oversight of investment adviser based on assets under management

- b. Is there a reason why we need more than one program providing the same or similar service?

A: Not applicable.

- c. Have you had any discussions with the other agencies or programs to find ways to maximize the use of the taxpayer's dollars?

A: The Insurance Division shares accounting services with the Utilities Board pursuant to a longstanding agreement. We work with other agencies in providing consumer education, especially in our Fraud Fighters outreach program (with the Department of Aging and Attorney General). We are certainly amenable to exploring other opportunities.

- d. Are there any laws or administrative rules that would limit your ability to work with the other programs or departments?

A: None that we know of.

- e. Are there any laws or administrative rules that could be changed to make your program or agency work better?

A: None that we know of.

#### OTHER

- a. Would it be a burden to your agency to ask that your presentations be delivered to the Legislative Services Agency 48 hours in advance of your appearance before the committee?

A: We could deliver it on January 27<sup>th</sup> with the presentation set for January 29<sup>th</sup>.

- b. If you are required to reduce your budget by 1%, 5%, or 10%, where would you suggest we focus our attention?

A: 1% of our FY16/17 request of \$5,325,889 is \$53,259. This is roughly the amount of a Licensing secretary position we hope to fill with the FY16 budget request. Not filling it diminishes our service to the insurance and securities industries. There are almost 50,000 more licensed persons in these businesses than just five years ago.

5% of our request is \$266,295. This amount does not match any of our core programs and would necessitate a serious reduction in one of our service bureaus. The only functions not mandated by statute are the handling of complaints and enforcement. We would likely have to eliminate three professional positions to reach this amount, thereby greatly reducing the number of complaints on which we investigate and take licensing or administrative enforcement.

A 10% reduction would severely impact our areas not required to provide service by statute such as Market Regulation (Complaints and Enforcement) and possibly other areas the Division is required to provide service under Iowa law.

An example of a statutory bureau we would have to review is regulated industries. The Regulated Industries Unit that oversees preneed funeral plans, perpetual care cemeteries and two warrant programs has a budget that approximates this amount. Several statutes would have to be repealed to in the event the Division would have to cut the funding for this team.

## ATTACHMENT 1

### Accountable Government Act Performance Measures

Percent of companies/ industries examined per Code

Percentage of products acted upon within 30 days of completed applications

Percentage of complaints resolved in 80 days

Percentage of agent applications processed within 7 days

Percentage of regulatory investigations with full cross-sectional database searches

Health Insurance Rate Increase Applications Transparency

Number of educational press releases issues

Number of consumer outreach contacts

Percentage of NAIC modernization initiatives implemented

Number of employees trained

Percent of agents/producers licensed with no errors

Percent of payroll/ benefit changes submitted electronically

Percent of payroll/ benefit changes in compliance

Percent of consumer services timely